



SAN DIEGO
HOUSING
COMMISSION

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San Diego Housing Commission (SDHC)
Authorization to Apply for State of California Department of Housing
and Community Development Homekey Program Grant Funds –
3860 Murphy Canyon Road
Presentation to the SDHC Board of Commissioners
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Homekey Application – Willow Canyon

Introduction

- Homekey is a statewide program designed to rapidly produce housing for persons experiencing homelessness or at risk of homelessness.
- Anticipated to be the last round funding
 - **\$736 million** statewide
 - **\$34,345,268** set aside for San Diego’s local geographic pool
 - San Diego region may also apply for a competitive statewide pool of funds.
- Competitive application for the region need City-County partnership with the following components:
 - A resolution authorizing the application to and participation in the Homekey program
 - Funding and services commitments in the amount identified in the following slides to optimize the local match under the various application scenarios.



Homekey Application – Willow Canyon

Homekey Requirements

- Eligible uses for Homekey funds:
 - Acquisition or Rehabilitation, or Acquisition and Rehabilitation, of motels, hotels, hostels, or other sites and assets to be converted to Permanent Housing or Interim Housing
 - Conversion of nonresidential properties into residential units
 - New construction
 - Master leasing of properties for non-congregate housing
 - The purchase of affordability covenants and restrictions for units
 - Relocation costs for individuals who are being displaced as a result of the Homekey Project
 - Capitalized operating subsidies for units purchased, converted, constructed or altered with funds provided pursuant to California Health and Safety Code section 50675.1.3
- Homekey Key Performance Requirements:
 - All Homekey funds are to be spent within 8 months of award.
 - All construction / rehabilitation must be completed within 12 months of award letter.
 - Full occupancy must be achieved by 15 months from date of award letter.



Homekey Application – Willow Canyon

Estimated Project Timeline

Milestone	Date
Homekey Application Submission	July 2023
Homekey Award Announcement	September/October 2023
SDHC/Housing Authority Board Action	November/December 2023
Acquisition Closing Date	December 2023
Homekey Funds 100% Expended	May/June 2024
Construction Completion	September/October 2024
Full Occupancy of Assisted Units	December 2024/January 2025

- This timeline is contingent on the dates the California Department of Housing and Community Development (HCD) awards and disburses funds.



Homekey Application – Willow Canyon

Property Summary

Extended Stay Hotel – to be known as Willow Canyon 3860 Murphy Canyon Road, 92123 Council District 7

- Kearny Mesa
- Constructed circa 2002
- 107 units (Hotel Rooms)
- 1 Building – three-story, elevator-served
- Lot Size: Approximately 4.8 acres
- Building size: Approximately 45,546 s.f.



Homekey Application – Willow Canyon

Completed Due Diligence

- Preliminary Title Report
- Appraisal
- Peer Appraisal
- Physical Needs Assessment
- Phase 1 Environmental Report
- Market Study
- American Land Title Association Survey
- Construction Cost Assumptions
- Financial Review
- California Environmental Quality Act /
National Environmental Policy Act
- Other Physical Inspections



Homekey Application – Willow Canyon Purchase & Sale Agreement (PSA) Purchase Price and Anticipated Total Development Cost (TDC)

PSA Purchase Price	Per Door
Up to \$40,700,000	Up to \$380,374/door

TDC Per Door	
Estimated TDC for Project	Up to \$400k/door*
Average TDC Recent Projects	\$632,020**
TDC Range Recent Projects	\$523,251 – \$750,114**

**Includes prevailing wages. TDC anticipated to be lower than the listed amount.*

***Not all projects include prevailing wages. SDHC Board Approved New Construction Projects (last two years).*



Homekey Application – Willow Canyon Fiscal Considerations

- If Homekey Program funds are awarded to SDHC, the award is anticipated to occur in the first half of Fiscal Year 2024.
- The potential award of Homekey Program funds is not included in SDHC's approved Fiscal Year 2024 budget.
 - Housing Authority of the City of San Diego approved SDHC's budget on June 12, 2023.
- If the SDHC Board of Commissioners (Board) authorizes SDHC to apply for funds, and if the State awards funds to SDHC, it will increase the Fiscal Year 2024 funding sources and uses available by up to \$40,250,000 to support the proposed project



Homekey Application – Willow Canyon Fiscal Considerations (Continued)

Sources and Uses – Willow Canyon	
Sources	Amount
State Homekey Program Funds	Up to \$40,250,000
Uses	Amount
Acquisition and Rehabilitation	Up to \$40,250,000
TOTAL SOURCES	Up to \$40,250,000
TOTAL USES	Up to \$40,250,000



Homekey Application – Willow Canyon

Summary of Proposed Services

- Supportive services to be offered for residents:
 - Outreach and Engagement
 - Mental Health Services
 - Healthcare/Physical Health Services
 - Behavioral Health Services
 - Substance Use Services
 - Case Management
 - Care Coordination
 - Life Skills Training
 - Education Services
 - Employment Assistance
 - Assistance obtaining benefits and essential documentation
 - Transportation Services
- Residents would be identified through referrals from the Coordinated Entry System.
- Populations Served:
 - Experiencing Literal Homelessness*
 - Experiencing Chronic Homelessness*
 - Transition Aged Youth

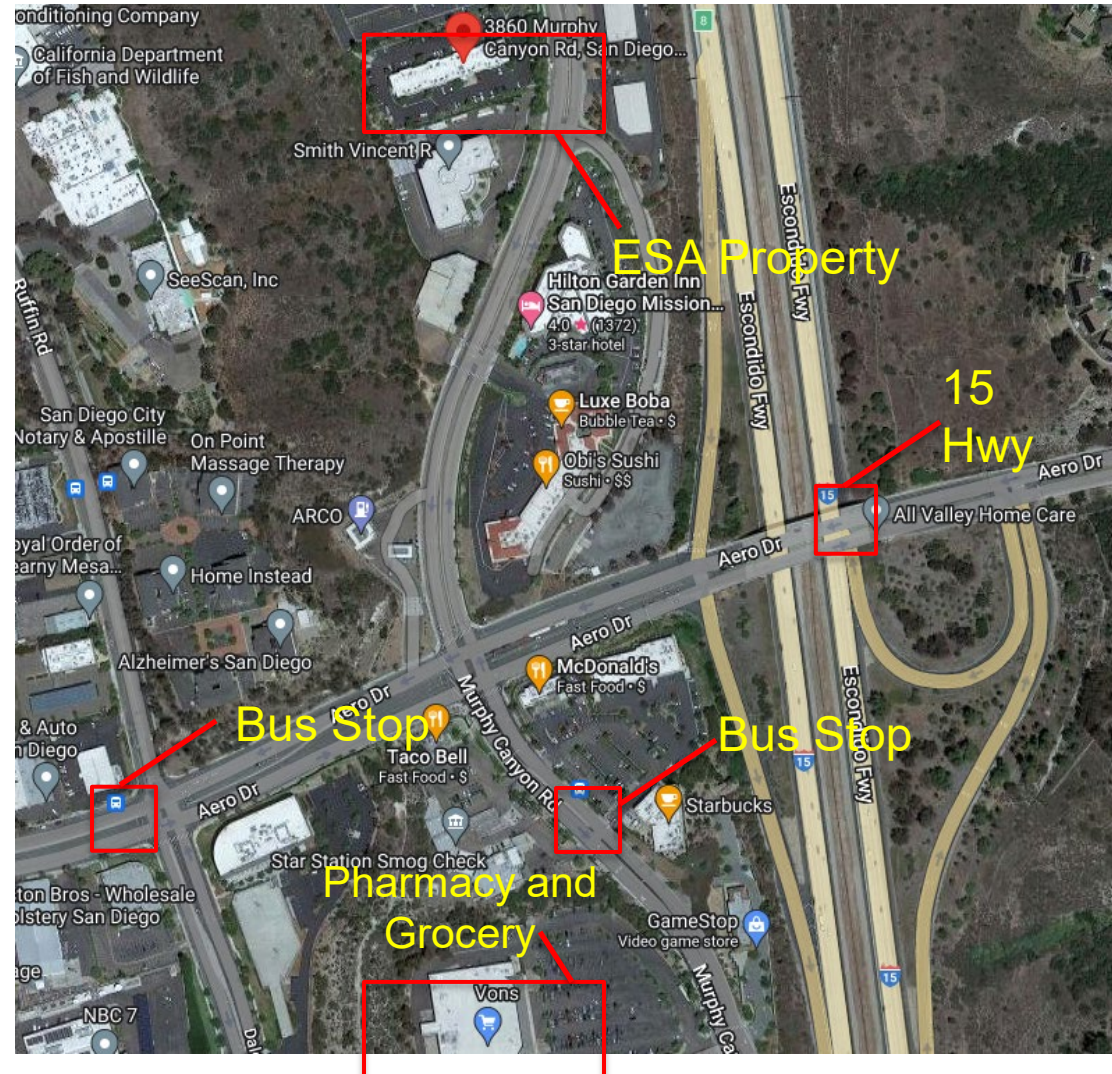


Homekey Application – Willow Canyon

Location and Community Amenities



Homekey Application – Willow Canyon Location and Community Amenities (Continued)



Homekey Application – Willow Canyon

Staff Recommendations

That SDHC Board take the following actions:

- 1) Authorize and direct SDHC to submit an application to the State of California Department of Housing and Community Development (Department) Homekey Program for grant funds in an amount up to \$40,250,000 in accordance with the March 29, 2023, Notice of Funding Availability (NOFA) for the Homekey Program for the acquisition and rehabilitation of the Extended Stay America hotel property at 3860 Murphy Canyon Road, San Diego, CA 92123, to be known as Willow Canyon, to create permanent affordable rental housing with supportive services for people experiencing homelessness.



Homekey Application – Willow Canyon Staff Recommendations (Continued)

2) If the application is approved and the proposed project is subsequently approved by the Housing Authority of the City of San Diego, authorize and direct SDHC to enter into, execute, and deliver a Standard Agreement with the Department in a total amount up to \$40,250,000 and any and all other documents required or deemed necessary or appropriate to secure Homekey Program funds from the Department, and to participate in the Homekey Program, provided that a copy of the documents, signed as to form by General Counsel, are submitted to each Housing Commissioner.

SDHC acknowledges and agrees that it shall be subject to the terms and conditions specified in the Standard Agreement, and that the NOFA and application will be incorporated in the Standard Agreement by reference and made a part thereof. Any and all activities, expenditures, information, and timelines represented in the application are enforceable through the Standard Agreement. Funds are to be used for the allowable expenditures and activities identified in the Standard Agreement.



Homekey Application – Willow Canyon Staff Recommendations (Continued)

- 3) Authorize, Jeff Davis, SDHC's Interim President & Chief Executive Officer, or designee, to execute the application and the Homekey Program documents on behalf of SDHC for participation in the Homekey Program.
- 4) Authorize SDHC's Interim President & CEO, or designee, to execute all documents and instruments that are necessary and/or appropriate to implement these approvals, in a form approved by General Counsel, and to take such actions as are necessary and/or appropriate to implement these approvals. provided that a copy of the documents, signed as to form by General Counsel, are submitted to each Housing Commissioner.



Homekey Application – Willow Canyon

Questions & Comments

